

19 Enterprise Zone Employee Credit

3553

Attach to your California tax return.

Name(s) as shown on return

Social security number

Step 1: Complete the Enterprise Zone Employee Qualification Checklist on Side 2 to see if you qualify to take this credit.**Step 2: Complete the form below to figure your credit.**

- 1 Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500 1 _____
- 2 If you file a joint return, enter the total amount of wages your spouse earned working in an enterprise zone. Do not enter more than \$10,500 2 _____
- 3 Add line 1 and line 2 3 _____
- 4 Multiply the amount on line 3 by 5% (.05) 4 _____
- 5 Enter the amount from Form 540, line 17; or Form 540NR, line 17 5 _____
- 6 If the amount on line 5 is:
 - Equal to or less than the amount on line 3, enter -0- here and skip to line 10 6 _____
 - More than the amount on line 3, enter the amount from line 3 6 _____
- 7 Subtract line 6 from line 5 7 _____
- 8 Multiply line 7 by 9¢ (.09) 8 _____
- 9 Subtract line 8 from line 4. If the result is zero or less, **STOP**. You do not qualify for this credit. 9 _____
- 10 Enter the total amount of enterprise zone wages. See instructions. 10 _____
- 11 Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. 11 _____
- 12 Net enterprise zone wage income. Subtract line 11 from line 10. 12 _____
- 13 Enter the amount of tax for the amount on line 12. See instructions. 13 _____
- 14 Total available enterprise zone employee credit. Enter the lesser of line 9 or line 13. If you skipped line 9 and entered zero (-0-) on line 6, enter the lesser of line 4 or line 13. See the instructions for Form 540 (or Form 540NR) for claiming the credit on your tax return **14** _____

Caution: Your credit may be limited. See the instructions for line 14.

General Information

A Purpose

Use this form to (1) see if you qualify for a credit of a portion of wages you earned while working within the boundaries of a California enterprise zone and (2) to figure the credit if you qualify to claim it. You must use Form 540, California Resident Income Tax Return, or Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, to claim this credit.

B Description

The credit is 5% of each employee's qualified wages for the year, up to a maximum credit of \$525 per employee. Qualified wages are wages earned in the geographic areas designated as enterprise zones. Parts of the following areas and cities are enterprise zones:

- Altadena/Pasadena
- Antelope Valley
- Bakersfield/Kern (Southeast Bakersfield)
- Calexico
- Coachella Valley
- Delano
- Eureka
- Fresno
- Kings County
- Lindsay
- Long Beach
- Los Angeles – Central City
- Los Angeles – Eastside
- Los Angeles – Harbor Area
- Los Angeles – Mid-Alameda Corridor
- Los Angeles – Northeast Valley (formerly Pacoima)

- Madera
- Merced/Atwater
- Oakland
- Oroville
- Pittsburg
- Porterville
- Redding/Anderson (Shasta Metro)
- Richmond
- Sacramento – Army Depot
- Sacramento – Florin/Perkins
- Sacramento – Northgate
- San Bernardino/Riverside (Agua Mansa)
- San Diego – San Ysidro/Otay Mesa
- San Diego – SE Barrio Logan
- San Francisco
- San Jose
- Santa Ana
- Shafter
- Siskiyou County (Shasta Valley)
- Stockton
- Watsonville
- West Sacramento
- Yuba/Sutter

The zones are designated by the California Trade and Commerce Agency. They do not include zones designated by the federal government.

C Qualifications

To qualify for this credit in 1997, you:

- Performed at least 50% of your compensated work within the boundaries of an enterprise zone in California;
- Spent at least 90% of your work time on activities that are directly related to the operation of the trade or business located within the enterprise zone; and
- Did not work for any federal, California state or local government.

Complete the Qualification Checklist on Side 2 of this form to see if you qualify for the enterprise zone employee credit.

D Limitations

Zone Income Limitation

You may not apply the credit toward any taxes due on income you and your spouse earned outside the enterprise zone or prior to the zone designation.

Income Limitations

The maximum amount of qualifying wages are \$10,500 for each enterprise zone employee. You must reduce this credit by nine cents (.09) for each dollar of income you received that is more than your qualified enterprise zone wages.

This credit cannot reduce regular tax below the tentative minimum tax. See Schedule P (540 or 540NR) for more information. This credit is not refundable and any unused credit may not be carried over to succeeding years.

Specific Line Instructions

Line 10 — Total enterprise zone wages are all enterprise zone wages. This amount is not limited to \$10,500 like the amounts on line 1 and line 2.

Line 13 — Find the amount of tax from the tax table in the Form 540 or 540NR instructions for the amount shown on line 12. Use the same filing status you used on your Form 540 or Form 540NR.

Line 14 — The amount of this credit you can claim on your tax return may be limited further. See the credit instructions in your tax booklet for more information. These instructions also explain how to claim this credit on your tax return. You must use code number **169** to claim this credit.

Enterprise Zone Employee Credit Qualification Checklist

Purpose of Checklist

Use this checklist to see if you qualify to take the enterprise zone employee credit for 1997.

Note: If you have more than one job, answer the questions separately for each job.

Qualification Checklist

1. Did you work in an enterprise zone during 1997? An enterprise zone is an area designated by the California Trade and Commerce Agency. Your employer can verify if the business operates in an enterprise zone. See the list in General Information B, Description.
☐ Yes. Go to question 2.
☐ No. STOP, you do not qualify for the credit.
 2. Do you work for the United States government, the state of California or a city or county government located in California?
☐ No. Go to question 3.
☐ Yes. STOP, you do not qualify for the credit.
 3. Were 50% of the hours you worked for your employer worked at your employer's location in the enterprise zone?
☐ Yes. Go to question 4.
☐ No. STOP, you do not qualify for the credit.
 4. Were 90% of the hours you worked for your employer related to your employer's business activity located in the enterprise zone?
☐ Yes. Go to question 5.
☐ No. STOP, you do not qualify for the credit.
 5. Will you file your tax return using the filing status single, head of household or qualifying widow?
☐ Yes. Go to question 7.
☐ No. Go to question 6.
 6. Did you and your spouse both work in the enterprise zone?
☐ Yes. Go to question 8.
☐ No. Go to question 7.
 7. Is your California adjusted gross income (AGI) equal to or more than \$16,334? (If you have not already completed your California tax return, you will need to complete at least part of it now. If you use Form 540EZ or Form 540A, complete line 1 through line 14. If you use Form 540, complete line 1 through line 17. If you use Form 540NR, complete Schedule CA (540NR) line 1, column E through line 32, column E).
☐ Yes. STOP, you do not qualify for the credit.
☐ No. Go to form FTB 3553, Side 1 and complete line 1 through line 14 to figure the credit.
 8. Is your California AGI equal to or more than \$32,667? (If you have not already completed your California tax return, you will need to complete at least part of it now. If you use Form 540EZ or Form 540A, complete line 1 through line 14. If you use Form 540, complete line 1 through line 17. If you use Form 540NR, complete Schedule CA (540NR) line 1, column E through line 32, column E).
☐ Yes. STOP, you do not qualify for the credit.
☐ No. Go to form FTB 3553, Side 1 and complete line 1 through line 14 to figure the credit. Use Form 540 or Form 540NR to claim the credit.
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Checklist Instructions

How do I know if I meet the 50% test in Question 3?

If you worked at one location for the employer all year, then you meet the test. If you worked for the employer at more than one location, then you need to divide your hours worked at the location in the enterprise zone by your total hours worked for the employer to determine if you have met the 50% test.

How do I know if I meet the 90% test in Question 4?

If you worked at one location for the employer all year, then you meet the test. If you worked for the employer at more than one location during the year, then you need to ask your employer if you have met this test.

What should I include on form FTB 3553, line 11, for employee business expenses?

Generally, this amount will be \$0 (zero dollars). However, expenses that may be included on this line include employee business expenses that you paid for such as union dues, work clothes and uniforms, tools used in your work, employment related education and occupational taxes. Personal expenses such as commuting expenses are not deductible and **cannot** be included on this line.

Where can I get more information?

See the example on Side 3.
